

AR51

EAST MALARTIC MINES LIMITED

(no personal liability)

Annual Report

For the year ended December 31, 1977

OFFICERS

R. C. Stanley, Jr.
President
P. A. Allen
Vice-President
J. C. L. Allen
Vice-President
F. A. Godfrey
Vice-President, Mining
E. J. Wade
Vice-President, Engineering and Administration
H. E. Rutetzki
Vice-President and General Manager
D. G. Sheehan
Vice-President, Exploration
I. T. H. Hamilton
Secretary and General Counsel
E. Bettoli
Mine Manager

DIRECTORS

P. A. Allen
J. C. L. Allen
I. T. H. Hamilton
A. R. Young
R. C. Stanley, Jr.
D. C. Webster
F. Cochrane
P. Fortin

TRANSFER AGENTS

Montreal Trust Co.
Toronto, Ontario and Montreal, Quebec

AUDITORS

Thorne Riddell & Co.
Toronto, Ontario

EXECUTIVE OFFICE

Suite 1900, 101 Richmond St. West
Toronto, Ontario M5H 1T1
Tel. (416) 868-1300

**HEAD OFFICE AND
MINE OFFICE**

East Malartic Mines Ltd.
Box 1150
Malartic, Quebec J0Y 1Z0
Telephone (819) 757-3691

1977 HIGHLIGHTS

- RETURN TO PROFITABLE OPERATIONS.
- ANOTHER RECORD YEAR FOR TONNAGE MILLED ESTABLISHED WITH A 3.8 PERCENT INCREASE.
- DEVELOPMENT OF NO. 7 PORPHYRY ORE ZONE STARTED AT BARNAT.
- GOLD PRICE RECEIVED INCREASE 31% OVER 1976.

PRESIDENT'S REPORT

Net income was \$379,299 or 9¢ per share, an increase of \$1,157,356 over the previous year's loss of \$778,057.

The increase is directly attributable to increased prices received for gold produced. Production revenue increased to \$8.98 million in 1977 from \$7.06 million in 1976. Cash flow from operations totalled \$1,186,574 in 1977 and working capital showed an increase from \$4.33 million in 1976 to \$4.73 million in 1977 after spending \$120,292 on outside exploration. The value of the Company's assets rose to \$9.98 million from \$9.72 million during the year and retained earnings increased to \$6.94 million from \$6.56 million in 1976.

In the late summer of 1977, mining operations at East Malartic were curtailed as the result of a rock burst on the 31st level. The burst in question damaged escape ways and part of the mine below the 24th level was closed while repairs were effected. The block caving method that has been in use for many years at the mine makes use of the inherent tendency of the rock in the mine to burst under pressure. Management's first concern at East Malartic is for the safety of its employees and all possible steps are taken to ensure that the operation is kept as safe as possible.

Approximately 15,000 tons of ore per month is trucked from the Barnat Mine, adjacent to the main East Malartic Mine, to the East Malartic mill. This additional ore is vital to the economic viability of the operation because of the low grade of gold ore currently being produced at East Malartic. At Barnat, only one porphyry ore body is being mined at present with reserves sufficient to complete 1978 production schedules. With increased gold prices, management has decided to

proceed with development of another porphyry ore body at Barnat. This vital increment to production at the East mill is expected to come on stream by late 1978 or early 1979 thereby replacing the present ore body at Barnat.

By virtue of having contributed 10.21 percent or \$1.01 million of the \$9.88 million expended by Long Lac Mineral Exploration Limited since its incorporation in 1967, East Malartic is entitled to share in any Long Lac Mineral earnings according to its percentage contribution at the time such earnings are distributed. A report on Long Lac Mineral activities and results is included in this annual report.

In December, Mr. Frank A. Godfrey was appointed Vice President, Mining, bringing extensive experience to the Company. Mr. Ed Bettoli was appointed Mine Manager at East Malartic also bringing with him many years of mining experience. Mr. Harry E. Rutetzki is now devoting all of his time to improving operations at an associated company in the Lac Group Willroy Mines Limited's Macassa Division at Kirkland Lake, Ontario. Mr. Rutetzki's outstanding contribution to the East Malartic operation is gratefully acknowledged.

On behalf of the Directors, I wish to extend thanks to the staff of East Malartic for their continuing enthusiasm and effort which gave another successful year to the operation.

March 27, 1978

On behalf of the Board of Directors

R. C. Stanley, Jr.
President

REPORT ON OPERATIONS

East Malartic Mines Limited operates two gold mines, the East Malartic Mine and the adjacent Barnat Mine near the town of Malartic in northwestern Quebec. Approximately 15,000 tons of ore per month are trucked from Barnat to the East Malartic mill, a distance of approximately 1,000 yards.

	1977	1976	% Change
Tons Milled	621,500	599,180	+ 3.7%
Tons per Calendar Day	1,704	1,637	+ 4.0%
Oz. Recovered - Gold	55,882	57,584	- 3.0%
- Silver	9,218	13,502	-31.7%
Oz. Gold Recovered per ton	0.090	0.096	- 6.3%
Mill Recovery	96.47%	96.57%	- 0.1%
Gross Revenue	\$8,978,233	\$7,061,696	+ 27.1%
Average Prices per oz.			
- Gold	\$ 160.72	\$ 122.83	+ 30.8%
- Silver	\$ 4.97	\$ 4.25	+ 16.9%
Total Operating Costs	\$8,259,192	\$7,683,190	+ 7.5%
Operating Cost per oz. Gold	\$ 147.80	\$ 133.43	+ 10.8%
Operating Profit	\$ 719,041	\$ (621,494)	Major
Operating Profit per oz. Gold	\$ 12.87	\$ (10.79)	Major
Fixed Assets Expenditure	\$ 156,188	\$ 312,749	-50.1%

Ore Reserves

	1976		1977	
	Short Tons	Oz. Gold/Ton	Short Tons	Oz. Gold/Ton
Proven Ore Reserves	1,438,140	0.100	1,050,000	0.107
Probable Ore Reserves	786,448	0.097	1,722,910	0.095
Proven Ore Reserves include				
Barnat at	304,010	0.107	200,000	0.098

NOTE: Proven and probable ore reserves should not be added together.

Outlook

Work is underway driving development headings to provide access for mining the No. 7 porphyry zone at Barnat. Production from this area is expected to begin in early 1979.

TAXATION AND GOVERNMENT TRANSFERS

In the course of its day-to-day business, the Company pays money to governments at all levels as follows:

	1976	1977
Federal Income Tax	Nil	Nil
Provincial Income Tax	Nil	Nil
Capital Tax	\$ 9,800	\$ 10,000
Provincial Mining Tax	Nil	Nil
Municipal Taxes	63,700	64,700
Workmen's Compensation	538,000	407,000
Provincial Sales Tax	119,200	106,700
TOTAL	\$ 730,700	\$ 588,400

SHAREHOLDERS

		1976	1977
No. of Shares Outstanding		4,119,000	4,119,000
% of Shares Held — Canadian		74.71%	75.03%
— U.S.A.		25.16%	24.85%
— Other .....		.13%	.12%
No. of Shareholders — Canadian		799	775
— U.S.A.		6,081	5,705
— Total		6,933	6,524

MARKETABLE INVESTMENTS:

	No. of Shares	Market Value at 31 December 1977
Valley Copper Mines Ltd.	88,000	\$638,000
Gibraltar Mines Ltd.	50,000	242,500
Kiena Mines Ltd.	95,000	180,500
Great Canadian Oil Sands Ltd.	18,000	117,000
Vestgron Mines Ltd.	6,500	66,625
Others	—	10,375

GOLD PRICE

Since 1973 changes in the price of gold received by Canadian producers has reflected the changing relative values of the principal world currencies. The following table illustrates the changes in currency values relative to the Canadian dollar.

EXCHANGE RATES IN CANADIAN DOLLARS

Date	U.S.A.	U.K.	FRANCE	GERMANY	SWITZERLAND	JAPAN
2 Jan. 1973	0.9963	2.3382	0.1945	0.3109	0.2642	0.0033
2 Jan. 1974	0.9956	2.2954	0.2083	0.3616	0.2989	0.0036
2 Jan. 1975	0.9916	2.3139	0.2226	0.4099	0.3883	0.0033
2 Jan. 1976	1.0164	2.0579	0.2274	0.3882	0.3882	0.0033
4 Jan. 1977	1.0049	1.7174	0.2038	0.4286	0.4113	0.0034
4 Jan. 1978	1.0934	2.1189	0.2341	0.5237	0.5551	0.0046
10 Mar. 1978	1.1236	2.1455	0.2300	0.5466	0.5759	0.0048
% change						
2/1/73 to 10/3/78	-12.8%	+8.2%	-18.3%	-75.8%	-118.0%	-45.5%

(Source — Bank of Canada)

Since 1973, both the Canadian and U.S. currencies have declined against most other world currencies.

The impact on gold prices may be seen by converting the gold price into the various currencies using the above exchange rates.

GOLD PRICES (P.M. LONDON FIXING)

Date	U.S.A.	CANADA	U.K.	FRANCE	GERMANY	SWITZERLAND	JAPAN
2 Jan. 1973	\$ 65.10	\$ 64.86	£27.24	333.5 Fr	DM 208.6	SF 245.5	¥19654
10 Mar. 1978	\$ 185.90	\$ 208.88	£ 97.36	908.2 Fr	DM 382.1	SF 362.7	¥43516
% change	185.6%	222.0%	251.0%	172.3%	83.2%	47.7%	121.4%

If the Deutsch Mark is taken as a base and representative of essentially a low or a zero inflation rate, the real value of gold has risen somewhere between 80 and 90 per cent since the beginning of 1973.

5 YEAR SUMMARY OF RESULTS (Unaudited)

THOUSANDS OF DOLLARS

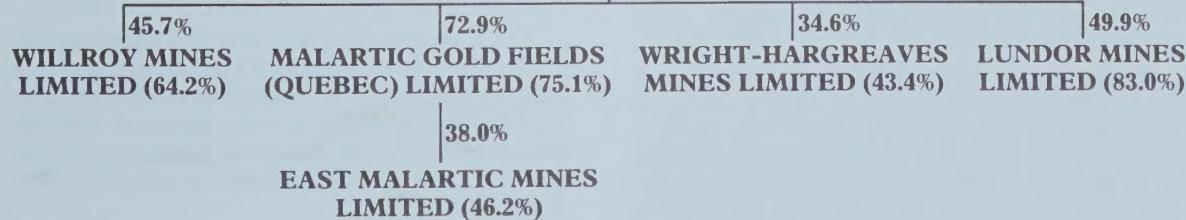
	1973	1974	1975	1976	1977
Production Revenue	6,235	7,735	9,291	7,062	8,978
Production Expenses	4,609	6,621	7,890	7,683	8,259
Operating Profit	1,626	1,114	1,401	(621)	719
Depreciation and Depletion	105	145	175	202	191
Exploration and Development	40	96	260	337	616
Advances to Long Lac Mineral	nil	66	67	127	448
Investment Income	160	405	297	188	214
Net Income	1,616	(430)	2,075	(778)	379
Net Income per Share	0.40	(0.10)	0.50	(0.19)	0.09
Dividends	—	—	412	—	—
Dividends Per Share	—	—	0.10	—	—
Fixed Assets (Net of Depreciation)	724	1,070	1,200	1,311	1,276
Working Capital	5,596	4,288	5,418	4,331	4,729
Retained Earnings	6,183	5,753	7,337	6,559	6,939

THE LAC GROUP OF COMPANIES

LITTLE LONG LAC GOLD MINES LIMITED

| 39.9%

LAKE SHORE MINES LIMITED (42.2%)



Key

| X% — holding company control position

LIMITED (Y%) — % held within Lac Group

Long Lac Mineral Exploration Limited

1977 REPORT

Long Lac Mineral Exploration Limited, the exploration arm of a group of companies controlled by Little Long Lac Gold Mines Limited, has concluded its most successful year to date with the discovery and exploration work on two mineral deposits in the Cadillac region of Quebec. Long Lac Mineral was formed as a private company in September 1967.

Exploration by Long Lac Mineral during 1977 focussed mainly on gold in the Cadillac region of northwestern Quebec and on uranium in the Elliot Lake area of central Ontario. Foreign exploration was carried out in the United States and Spain. Exploration field offices were maintained in Malartic, Quebec and Vancouver, B.C. Direct net exploration expenditures for the year amounted to \$1.45 million and acquisition costs of \$2.32 million were made to purchase shares mainly in Thompson Bousquet Gold Mines Limited (N.P.L.) and Silverstack Mines Limited (N.P.L.). An additional \$0.97 million was spent on development at Thompson Bousquet for a total outlay of \$4.74 million.

Cadillac and Bousquet Regions

In 1975, Long Lac Mineral optioned a gold property in Bousquet Township in North Western Quebec owned by Thompson Bousquet Gold Mines. In 1976, an ore body was discovered with sufficient gold mineralization to warrant underground exploration and development. Subsequently, control of Thompson Bousquet Gold Mines, which held a 40% interest in the potential profits from the property under the option agreement, was acquired.

Exploration was completed on the Thompson Bousquet prospect in August of 1977 and the property has moved into the development phase and is now being handled by the Company's new Mining Division.

By year end, surface installations comprising a head frame hoist room, service building and shaft collar were nearly complete. Plans call for a 3-compartment shaft to a depth of 1,250 feet with levels at 565, 770 and 970 feet below surface, to be started in April 1978. Extension of the existing decline, driven in 1975, to the 565 level has been started. Ore produced will be shipped about 30 miles by truck to the East Malartic mill with initial ore shipments expected in July 1978 and production rates rising to about 200,000 tons per year by April 1979. Capital and development costs for the project are expected to total \$4 million.

The Silverstack joint venture project, in which the Company controls 51%, through Silverstack Mines (SOQUEM, the exploration arm of the Quebec Government, controls 49%), was in the late stages of exploration at year end. Drilling of the Silverstack main No. 2 zone had advanced sufficiently to allow preliminary feasibility studies to commence. Drilling is continuing to explore for further ore horizons and to define the total ore reserve picture. A final ore reserve calculation on the main No. 2 zone should be available in the

second quarter of 1978. The property lies approximately two miles west of the Thompson Bousquet property. SOQUEM has the right to manage the operation for three years after the date of any production decision. At that time, management reverts to Silverstack.

Exploration activity reached an all-time high in this region and as a result of successes at Thompson Bousquet and Silverstack late in 1977, Long Lac Mineral acquired some 60,000 acres of land covering the extension of the favourable Blake River volcanics in Bousquet, Cadillac, Joannes, Clericy and La Pause Townships in northwestern Quebec. This project will involve the search for both base metals and gold; (significant massive sulfide deposits have been discovered along the western margin of this area).

Elliot Lake Region

Drilling on the Silvermaque property along with studies of the potential of the southern limb of the Elliot Lake syncline led to the optioning of the Abeta and the acquisition of the North American Nuclear uranium properties located within 6 miles and $\frac{3}{4}$ of a mile respectively of the Silvermaque property.

The drilling on the Silvermaque property (which is leased subject to a 3½% gross royalty) confirmed and extended earlier projections regarding the property's ore potential. Further drilling may be required to establish a final tonnage and grade but a drill-indicated mineral inventory in the order of 5-10 million pounds of U_3O_8 would appear likely. It is of significance that the recent decision by Preston Mines Limited to re-open the former Stanleigh mine, which adjoins the Silvermaque property, confirms our belief that the southern limb of the Elliot Lake uranium deposits will once again become active.

The Abeta property had been drilled in the mid 1950's and approximately 2.5 million tons of ore grading one pound per ton had been outlined. The drill programme confirmed additional tonnage expectations but the indicated grade was disappointing and the option on this property was therefore dropped.

The North American Nuclear property is located approximately one-half mile south west of the Silvermaque property. Approximately 90% of this property is covered by the waters of Elliot Lake and has led to extra environmental precautions when conducting drilling operations on the shore. During 1977, two holes were put down on this property and both returned intersections of approximately one pound U_3O_8 per ton over widths of 8.5 to 12.0 feet. Since this 14 claim property had never been drilled, it is considered encouraging and a modest drilling programme is planned for 1978 on this property.

As a result of Long Lac Mineral's activities in Elliot Lake, E&B Resources of Calgary, a German owned uranium exploration company, entered into a joint venture agreement with Long Lac Mineral and contributed approximately half

the cost of exploration to date or \$380,000 for a 20% working interest in Long Lac Mineral's interest. Long Lac Mineral welcomes E&B's participation and plans to conduct further uranium exploration ventures with them.

Western Canada

An agreement in principle has been reached with Norex, an exploration subsidiary of Noranda Mines, to examine Long Lac Mineral's holdings in the North West Territories. For an expenditure of some \$220,000 Norex may earn a 51% interest in our Robb John Project.

A continuing reconnaissance programme on a number of mineral claims in southern British Columbia has resulted in the discovery of a large area of anomalous uranium values. A programme will be conducted this coming year to investigate these anomalies.

General

Drilling programmes in the United States and Spain proved the mineralization on properties held in these countries to be low grade and erratic. Only a minimal amount of follow-up work will be conducted on the property in the U.S.

Oil and Gas

Long Lac Mineral purchased a 25% interest in a number of oil and gas leases in the Sylvan Lake area of Alberta, under a farmout agreement effective September 27, 1977 with Renaissance Resources Ltd., as farmee and operator whereby Long Lac Mineral's interest would be reduced to a 12½% working interest upon payout or abandonment.

Manufacturing

Long Lac Mineral has acquired a controlling interest in Lamage Limited, North Bay, Ontario. Lamage is a high technology company producing a variety of diamond tools for the construction mining and manufacturing industries.

Financing

In March, 1978 Long Lac Mineral concluded arrangements for a \$4 million bank loan at prevailing interest rates as project financing for the Thompson Bousquet project. The Company's shareholders have entered into completion guarantees for the project. Repayment will be made in twelve equal quarterly installments commencing July 1979. This loan is secured by the assets and property comprising the Thompson Bousquet deposit and net proceeds from production will be used to retire the debt.

Ownership

It is management's intention to distribute Long Lac Mineral's earnings to the shareholder companies in proportion to the percentage breakdown of expenditures at the time of distribution. Beginning in 1976, shares in Long Lac Mineral were distributed to the participating companies in recognition of Long Lac Mineral's expenditures for assets, such as share purchases, that cannot be written off for tax purposes. The variation between the share percentages held and the percentage of funds contributed reflects the circumstances of the purchase of these non-depreciable assets. If these assets are disposed of at a future date or if dividends are paid, it is Management's intention to distribute the net proceeds according to the percentages of Long Lac Mineral shares held at the time of disposal or payment. Current rates of contribution by the shareholder companies reflect an adjustment made to reflect Lundor's inability to continue its level of participation after December 31, 1976.

Shareholder Company	% Contributed to 31 Dec. 1977*	% of Long Lac Mineral Shares Held	Current Rate of Contribution
Lake Shore Mines, Limited	24.751%	25.621%	26.315%
Little Long Lac Gold Mines Limited	23.653%	20.497%	21.053%
Willroy Mines Limited	19.240%	20.497%	21.053%
Wright-Hargreaves Mines Limited	10.211%	10.248%	10.526%
East Malartic Mines Limited	10.211%	10.248%	10.526%
Malartic Gold Fields	10.211%	10.248%	10.526%
Lundor Mines Limited	1.724%	2.640%	Nil
Total	100.000%	100.000%	100.000%

*For expenditures other than nondepreciable assets.

Long Lac Mineral Exploration's successful results have been achieved following the formation in recent years of a capable and experienced exploration team under the leadership of Dennis G. Sheehan, Vice-President of the Company. His efforts and those of his staff are greatly appreciated. They have helped to build the foundation from which Long Lac Mineral Exploration will be able to complete the traditional mining cycle of exploration, financing, development and production.

March 27, 1978

On behalf of the Board of Directors

PETER A. ALLEN,
President

FINANCIAL DATA – LONG LAC MINERAL EXPLORATION LIMITED

The following expenditures have been made since Long Lac Mineral Exploration was incorporated in 1967.

	1977	Lifetime Total
Exploration	\$1,454,665	\$4,946,153
Mine Development	964,781	1,427,306
Share Purchases	2,032,516	3,194,628
Mineral Property Purchases	288,060	308,968
TOTAL	\$4,740,022	\$9,877,055

PRINCIPAL INVESTMENTS	No. of Shares	Market Value December 31, 1977
Silverstack Mines Ltd.	2,675,525	\$2,836,057
Copper Giant Mines Ltd.	2,395,027	143,702
Thompson Bousquet Mines Ltd.	1,328,617	1,860,064
Others	—	236,591

EXPLORATION FIELD OFFICES – LONG LAC MINERAL EXPLORATION LIMITED

B.C. 1680-1050 West Pender Street
Vancouver, B.C. V6C 3S7
Phone: (604) 685-0531

QUEBEC Box 1150
Malartic, Quebec J0Y 1Z0
Phone: (819) 757-3437

East Malartic Mines Limited

(No Personal Liability)

Incorporated under the laws of Quebec

BALANCE SHEET

AS AT DECEMBER 31, 1977

	1977	1976
Assets		
CURRENT ASSETS		
Cash and short term deposits	\$2,418,396	\$1,300,861
Bullion, at net realizable value	218,454	
Receivable from sale of bullion	873,392	545,339
Marketable securities, at cost less allowance for decline in market value 1977, \$370,000; 1976, \$862,000; (quoted market value 1977, \$1,255,000; 1976, \$2,400,000)	1,255,325	2,399,555
Accounts receivable	22,709	34,378
Receivable from associated companies	227,557	48,348
Mining duty instalments refundable	20,182	20,182
Supplies and other assets, at cost	920,937	790,784
	<u>5,738,498</u>	<u>5,357,901</u>
INVESTMENT IN OTHER COMPANIES		
Associated companies		
Shares (quoted market value 1977, \$1,126,000; 1976, \$913,000)	1,571,039	1,443,621
Advances	321,187	127,292
Other companies		
Listed shares (quoted market value 1977, \$175,000; 1976, \$74,000)	264,194	222,628
Other securities	49,025	49,025
Advances	15,000	
	<u>2,220,445</u>	<u>1,842,566</u>
FIXED ASSETS		
Buildings, machinery and equipment	6,825,549	6,673,778
Less accumulated depreciation	5,757,069	5,570,813
	<u>1,068,480</u>	<u>1,102,965</u>
Mining properties	208,017	208,017
	<u>1,276,497</u>	<u>1,310,982</u>
DEFERRED CHARGES		
Development and other operating expenditures deferred	742,195	1,203,771
	<u>\$9,977,635</u>	<u>\$9,715,220</u>
Liabilities		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$1,009,625	\$1,021,698
Payable to associated companies	192	5,003
	<u>1,009,817</u>	<u>1,026,701</u>
DEFERRED QUEBEC MINING DUTIES	<u>32,500</u>	<u>132,500</u>
SHAREHOLDERS' EQUITY		
Capital Stock (note 2)		
Authorized — 7,500,000 shares of \$1 each	4,119,000	4,119,000
Issued — 4,119,000 shares	2,122,312	2,122,312
Less discount on shares	1,996,688	1,996,688
	<u>6,938,630</u>	<u>6,559,331</u>
Retained Earnings	8,935,318	8,556,019
	<u>\$9,977,635</u>	<u>\$9,715,220</u>

Approved by the Board:

P. A. ALLEN, Director

A. R. YOUNG, Director

East Malartic Mines Limited
(No Personal Liability)

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1977

	1977	1976
Operating revenue		
Bullion recovery	\$8,978,233	\$7,061,696
Operating expenses		
Mine development	215,999	124,797
Mining	4,984,859	4,605,043
Milling	1,278,259	1,165,285
Other expenses at the property	1,621,426	1,624,128
Administrative and corporate expenses	258,649	293,937
Reduction of deferred Quebec mining duties	(100,000)	(130,000)
	8,259,192	7,683,190
Operating profit (loss) before the undernoted items	719,041	(621,494)
Depreciation	190,673	202,062
Deferred development written off	496,200	279,467
Outside exploration	120,292	58,297
	807,165	539,826
	(88,124)	(1,161,320)
Securities written down	114,127	
Loss on sale of investments	69,268	128,796
Reduction in allowance for decline in market value of marketable securities	(437,000)	(303,000)
	253,605	174,204
	165,481	(987,116)
Income from investments	213,818	188,065
Income (loss) before extraordinary item	379,299	(799,051)
Extraordinary item		
Gain on sale of machinery and equipment	20,994	
NET INCOME (LOSS)	<u>\$ 379,299</u>	<u>\$ (778,057)</u>
EARNINGS (LOSS) PER SHARE		
Income (loss) before extraordinary item	9¢	(19¢)
Net income (loss)	9¢	(19¢)

East Malartic Mines Limited
(No Personal Liability)

STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1977

	1977	1976
RETAINED EARNINGS AT BEGINNING OF YEAR	\$6,559,331	\$7,337,388
Net income (loss)	<u>379,299</u>	<u>(778,057)</u>
RETAINED EARNINGS AT END OF YEAR	<u><u>\$6,938,630</u></u>	<u><u>\$6,559,331</u></u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1977

	1977	1976
WORKING CAPITAL DERIVED FROM		
Operations	\$1,186,574	
Proceeds from sale of other investments	2,808	\$ 13,479
Advance to associated company converted to shares	127,418	
Proceeds from sale of fixed assets	<u>20,994</u>	
	<u>1,316,800</u>	<u>34,473</u>
WORKING CAPITAL APPLIED TO		
Operations		293,542
Purchase of shares in associated company	127,418	
Advances to associated company	321,313	62,309
Advance to other company	15,000	
Additions to fixed assets	156,188	312,749
Development and other operating expenditures deferred	143,707	342,541
Reclassification of marketable security to investment in other companies	<u>155,693</u>	
	<u>919,319</u>	<u>1,011,141</u>
INCREASE (DECREASE) IN WORKING CAPITAL	397,481	(976,668)
WORKING CAPITAL AT BEGINNING OF YEAR	4,331,200	5,307,868
WORKING CAPITAL AT END OF YEAR	<u>\$4,728,681</u>	<u>\$4,331,200</u>

East Malactic Mines Limited
(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1977

1. ACCOUNTING POLICIES

(a) *Marketable securities*

Marketable securities are recorded at cost less an allowance for decline in market value which is adjusted annually at each year end.

(b) *Investment in shares of other companies*

Investments in associated companies are recorded at cost.

The investments in other companies which the company considers to be long term in nature are recorded at cost less amounts written off.

Because of the number of shares involved, the amounts that would be realized if these securities were to be sold may be more or less than their indicated market value.

(c) *Fixed assets*

(i) *Buildings, machinery and equipment*

All buildings, machinery and equipment are stated at cost. Depreciation is provided on the straight-line basis at 10% annually.

(ii) *Mining properties*

Mining properties are recorded at cost. When the properties are considered to be permanently uneconomical they are written off.

(d) *Deferred charges*

Exploration and development expenditures relating to producing properties are written off as incurred. Development expenditures on non-producing properties are written off at a minimum of 10% per annum, the balance being deferred until production commences or the property is considered to be permanently uneconomical. When production commences, these expenditures are then written off over the expected remaining life of the mine. When a property is considered to be permanently uneconomical the related development expenditures are written off.

Exploration and development expenditures are deferred on certain specific projects conducted by a joint exploration company of which East Malartic is a participant. East Malartic's portion of the expenditures on these projects will be deferred until such time as they commence production or are considered to be permanently uneconomical. When a project is considered to be permanently uneconomical, the related deferred expenditures are written off. All other outside exploration is written off as incurred.

Deferred operating expenditures are written off over their expected useful life.

2. CAPITAL STOCK

At December 31, 1977 employee incentive stock options were outstanding as follows:

No. of shares	Price per share	Exercisable before
15,000	\$3.00	January 16, 1978 (subsequently exercised)
24,000	3.89	March 6, 1978

3. INCOME TAXES

At December 31, 1977, the company had the following available to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the accounts.

Losses carried forward available until December 31, 1981	\$ 200,000
Excess of undepreciated capital cost over net book value of fixed assets	500,000
Exploration and development expenditures in excess of net book value	500,000
	<u>\$ 1,200,000</u>

4. ANTI-INFLATION LEGISLATION

The company is subject to the regulations of the Anti-Inflation Act (Canada) which became effective October 14, 1975. This Act imposes restrictions on revenues, compensation to employees and payment of dividends to shareholders.

In the opinion of management, the company has complied with this Act.

5. OTHER STATUTORY INFORMATION

Direct remuneration of the company's directors and senior officers (including the five highest paid employees) as defined by The Securities Act of Ontario was as follows:

	1977	1976
Directors and officers	\$ 103,469	\$ 63,600
Mine employees	68,409	71,398
Total	<u>\$ 171,878</u>	<u>\$ 134,998</u>

AUDITORS' REPORT

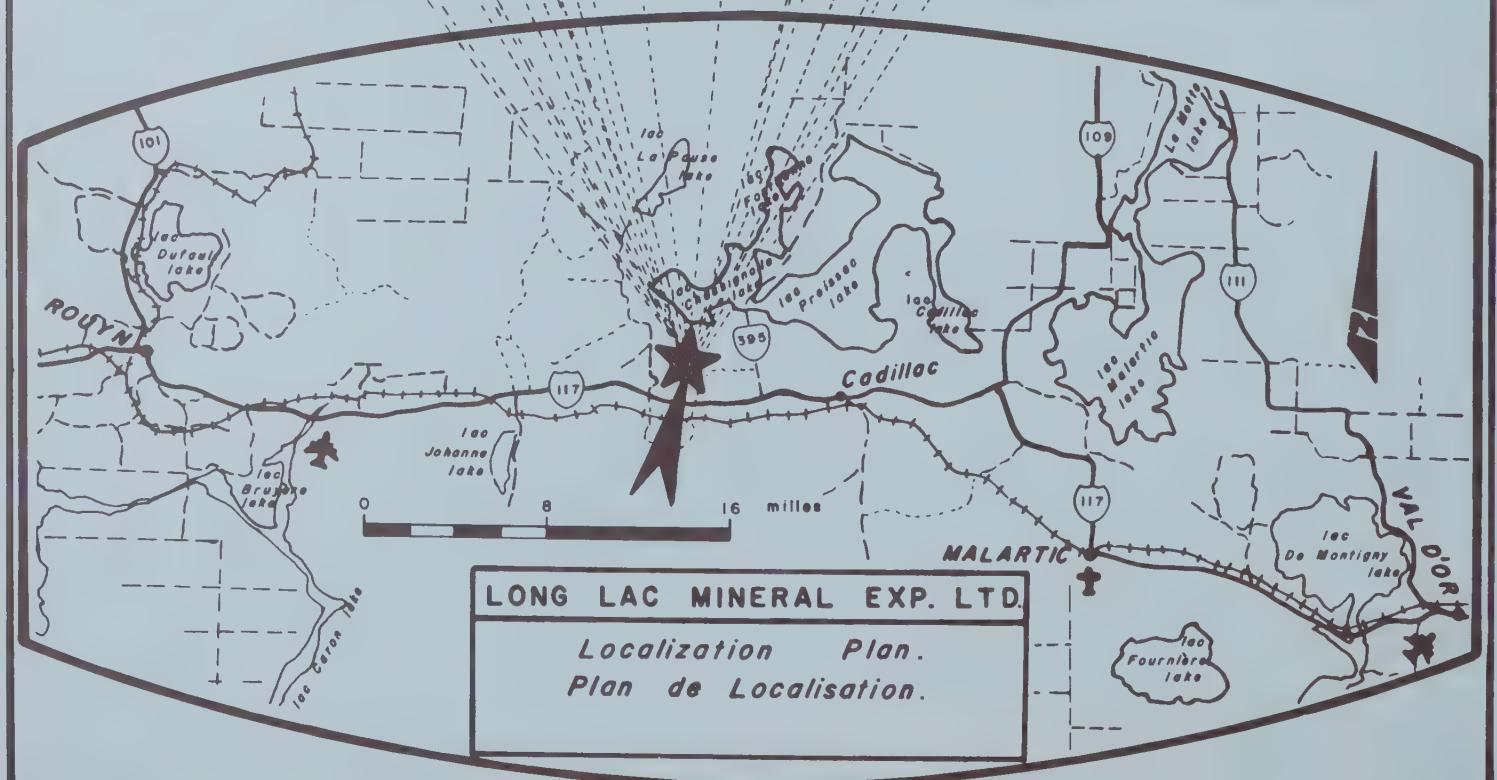
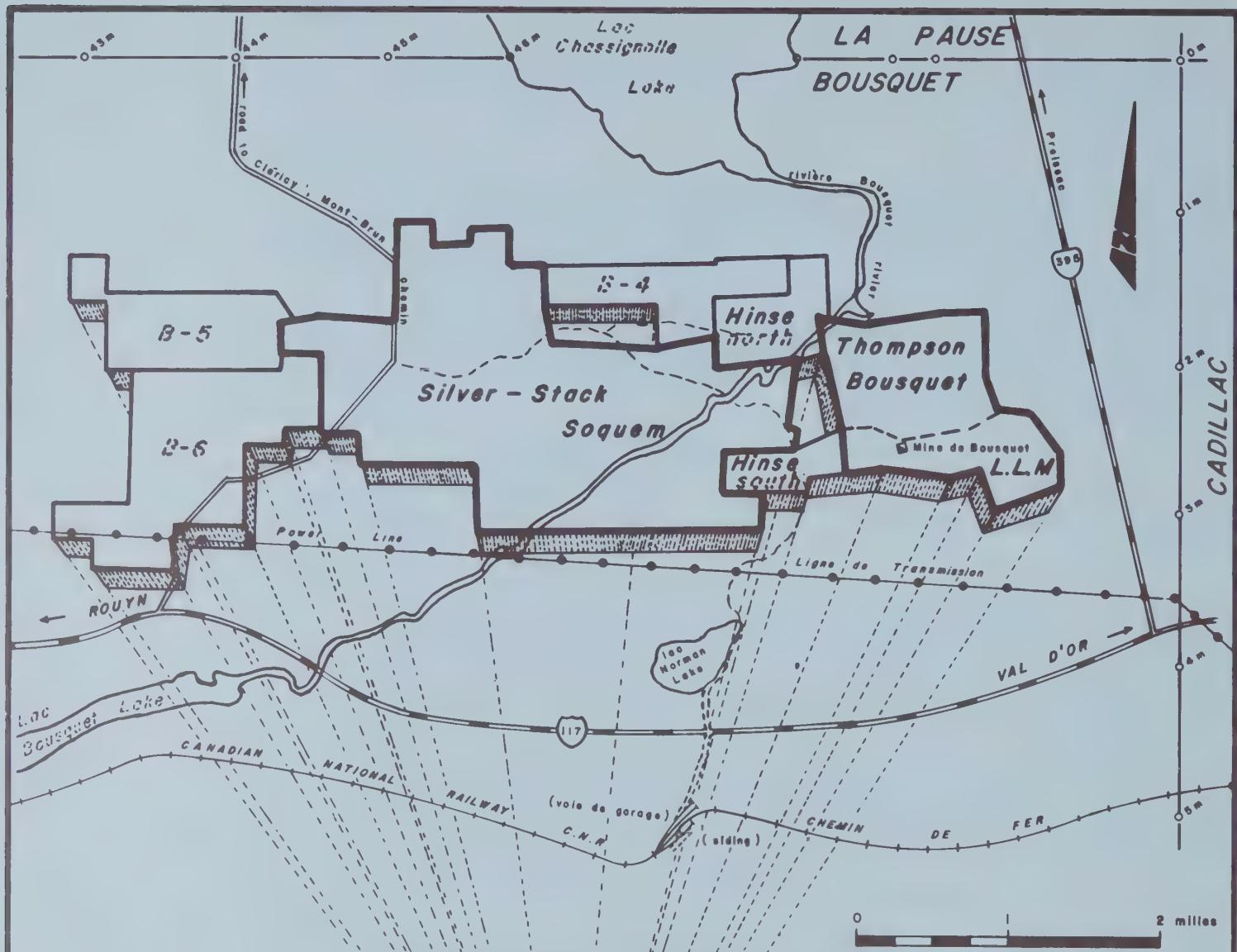
To the Shareholders of
East Malartic Mines Limited
(No Personal Liability)

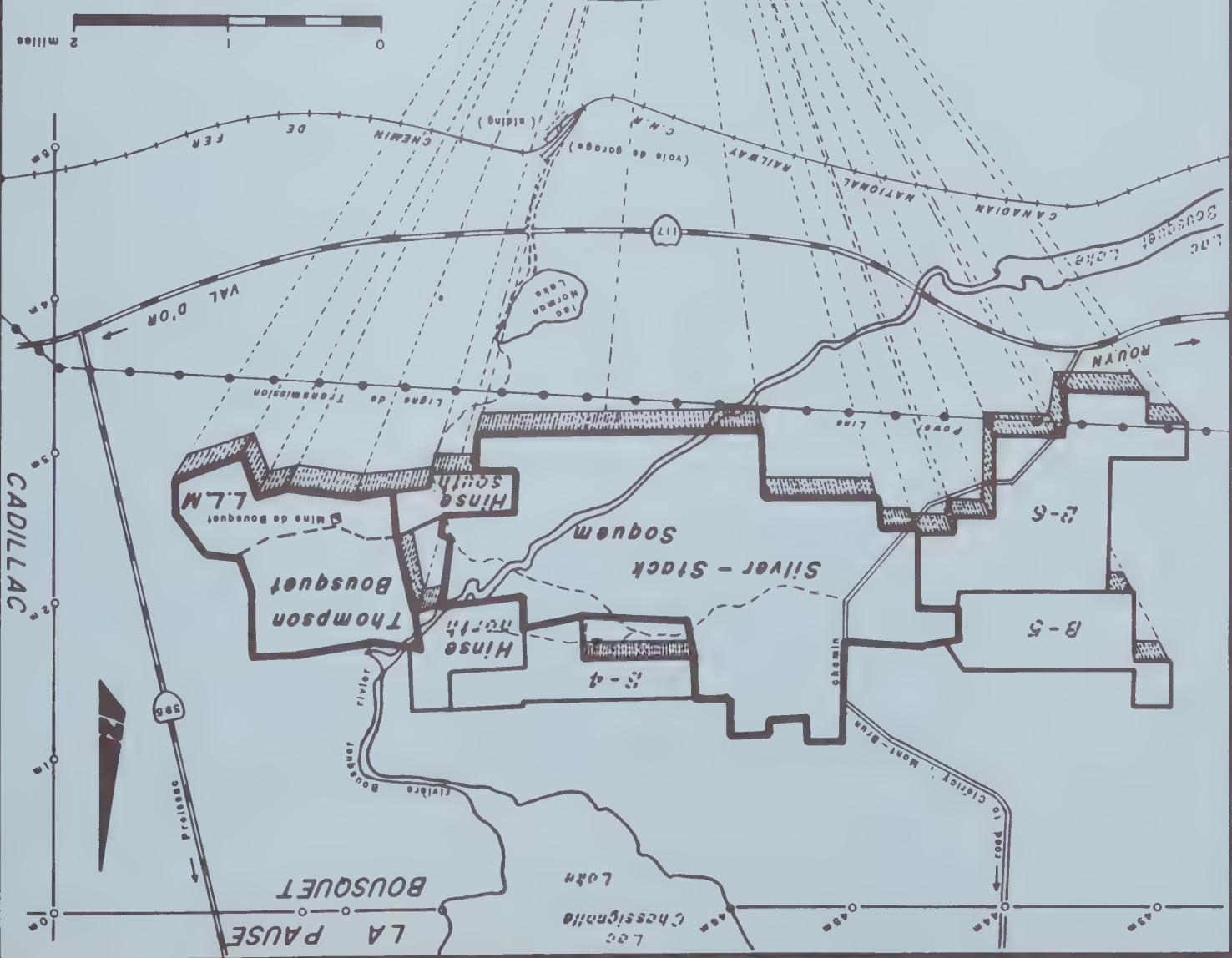
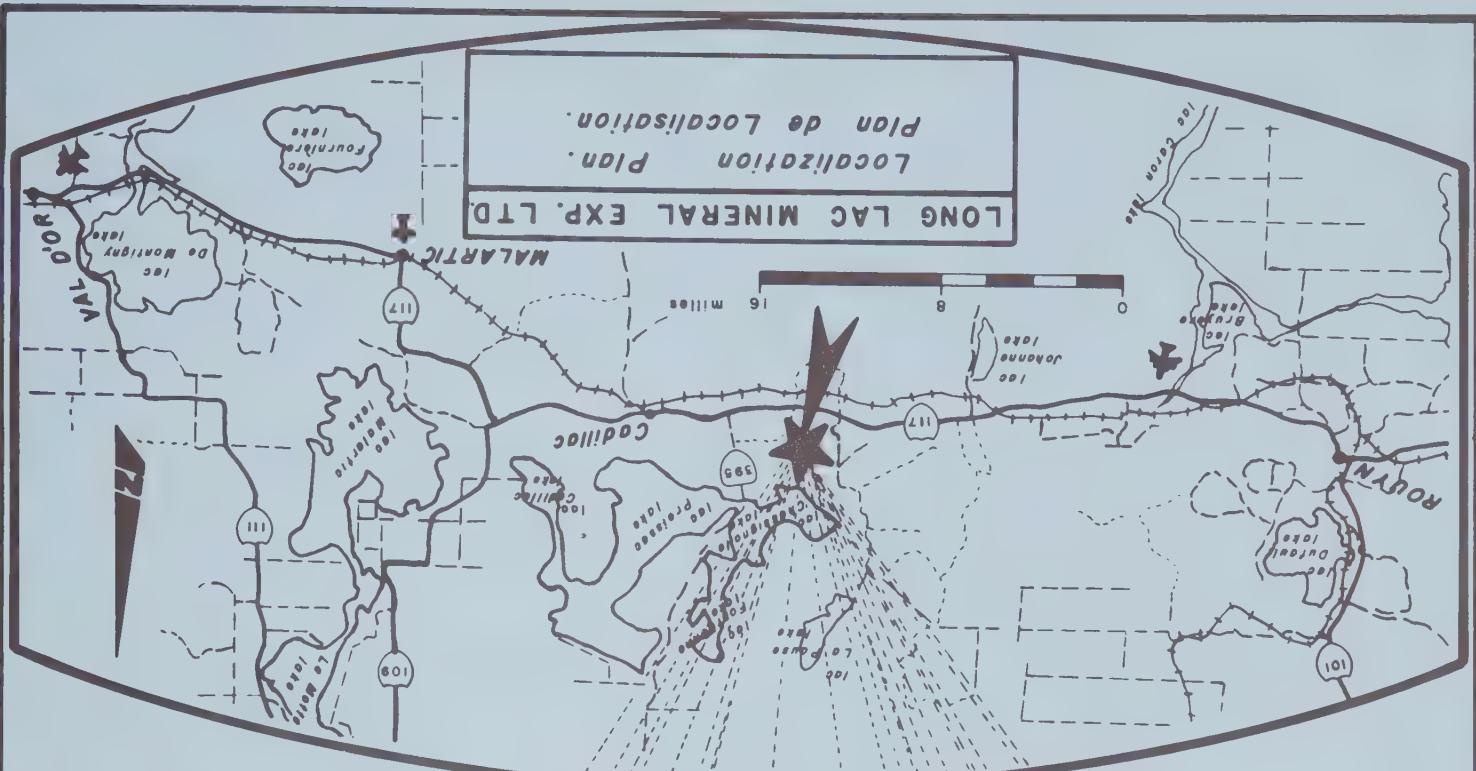
We have examined the balance sheet of East Malartic Mines Limited (No Personal Liability) as at December 31, 1977 and the statements of income, retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 27, 1978

THORNE RIDDELL & CO.,
Chartered Accountants





RAPPORT DES VERIFICATEURS

Aux actionnaires de East Malaric Mines Limited (Libre de responsabilité personnelle)

Nous avons vérifié le bilan de East Malaric Mines Limited (Libre de responsabilité personnelle) au 31 décembre 1977 ainsi qu'à cette date, et avons obtenu tous les renseignements et explications que nous avons demandés. Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues, et a comporté par conséquent les sondages et autres procédés que nous avons jugés nécessaires dans les circonstances.

A notre avis, et du mieux que nous avons pu nous en rendre compte par les renseignements et les explications qui nous ont été données et d'après ce qu'il indique les livres de la compagnie, ces états financiers sont rédigés de manière à présenter fidèlement l'état véritable et exact des affaires de la compagnie au 31 décembre 1977 ainsi que les résultats comparables généralement reconnus, applicables de la même manière qu'au cours de l'exercice précédent.

Le 27 janvier 1978
Toronto, Canada
THORNE RIDDELL & CO.

DE L'EXERCICE TERMINÉ LE 31 DÉCEMBRE 1977

East Malaric Miles Limited (Libre de responsabilité personnelle)

ÉTATS DES BÉNÉFICES
DE L'EXERCICE TERMINÉ LE 31 DÉCEMBRE 1977

East Malaric Mines Limited
(Libre de responsabilité personnelle)

Benefice d'exploitation	\$ 7,061,696
Recupération de lingots	\$ 8,978,233
Frais d'exploitation	124,797
Mise en valeur de la mine	4,605,043
Broyage	1,165,285
Autres dépenses relatives à la propriété	1,624,128
Frais d'administration et frais généraux	2,79,467
Amortissement	202,062
Mise en valeur rapportée radiée	496,200
Exploration extrême	58,297
Diminution des droits miniers du Québec reportés	539,826
Tirages radiés	(1,161,320)
Perte sur vente de placements	114,127
Tirages négociables	(88,124)
Diminution de l'allocation pour baisse de la valeur du marché des	114,127
Perte sur vente de placements	128,796
Revenu de placements	(303,000)
Poste extraordinaire	253,605
Benefice (perre) avant le poste extraordinaire	174,204
Gain sur vente de machine et d'équipement	(987,116)
Revenu de placements	165,481
Poste extraordinaire	213,818
Benefice (perre) avant le poste extraordinaire	(988,065)
Gain sur vente de machine et d'équipement	(799,051)
Revenu de placements	379,299
Poste extraordinaire	20,994
Benefice (perre) avant le poste extraordinaire	\$ (778,057)
BENEFICE NET (PERTE) PAR ACTION	\$ 379,299
BENEFICE NET (PERTE)	94
Benefice net (perre)	(19) 4

DONNÉES FINANCIÈRES - LONG LAC MINERAL EXPLORATION LIMITED

1977		Total pour la durée	Nbre d'actions au 31 décembre 1977	PRINCIPAUX PLACEMENTS	Valeur sur le marché
Exploration	\$1,454,665	\$4,946,153	Mise en valeur de la mine	964,781	1,427,306
.....	.....	.....	Achats d'actions	2,032,516	3,194,628
.....	.....	.....	Achats de propriétés minières	288,060	308,968
.....	.....	.....	TOTAL	\$4,740,022	\$9,877,055
.....			
Silverstack Mines Ltd.	2,675,525	\$2,836,057	Copper Giant Mines Ltd.	2,395,027	143,702
.....	.....	.....	Thompson Bousquet Mines Ltd.	1,328,617	1,860,064
Autres	-	-	Case postale 1150	-	-
			Québec, Québec J0Y 1Z0		
			Téléphone: (604) 685-0531		
			Vancouver, C.B. V6C 3S7		
			Téléphone: (604) 957-3437		
			Malartic, Québec J0Y 1Z0		
			Québec Case postale 1150		
			Téléphone: (819) 757-3437		

BUREAUX SUR LES CHANTIERS D'EXPLORATION -

C.B. 1680-1050 ouest, rue Penner
Vancouver, C.B. V6C 3S7
Téléphone: (604) 957-3437
Québec Case postale 1150
Malartic, Québec J0Y 1Z0
Téléphone: (819) 757-3437

Autres

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PETER A. ALLEN

Au nom du Conseil d'administration

Le 27 mars 1978

Les excellents résultats de l'exploration ont été atteints à Lac Mineral. L'exploration au cours des récentes années d'une formation ont été attribuées à la suite de la formation au cours des récentes années d'une formation qui a été attribuée à la suite de l'équipe d'exploration compétente et expérimentée sous la direction de Dennis G. Sheehan, Vice-président de la Compagnie. Ses efforts et ceux de son personnel sont hautement appréciés. Ils ont aidé à établir le fondement durable Long Lake Mineral Exploration sera en mesure de compléter le cycle minier traditionnel d'exploration, de financement, de mise en valeur et de production.

amortissable.

Lake Shore Mines	Compaingnies affiliées	Total
Taux courants de reparation	% d'actions détenues par le comité du lac Long	1977*
Taux courants de reparation	% de l'entreprise	31 décembre
Limited	Lake Shore Mines	Lundor Mines
Little Long Lake Gold	Mines Limited	Malartic Goldfields
Willoroy Mines	East Malartic Mines	10.526%
Wright-Hargraves	West Malartic Mines	10.248%
Willow Limited	10.240%	21.053%
Willyoys Limited	23.653%	20.497%
Mines Long Lake Gold	19.240%	21.053%
Willyoys Limited	10.211%	21.053%
Willyoys Limited	10.211%	10.526%
Lundor Mines	10.211%	10.526%
Lundor Goldfields	10.211%	10.526%
Total	1.724%	2.640%
	Nil	100.000%
		100.000%

1

La direction a l'intention de distribuer les bénéfices de Long Lac Mineral aux compagnies actionnaires en proportion au pourcentage des frais au moment de leur répartition. A parti de 1976, les actions de Long Lac Mineral seront échangées aux compagnies participantes en tant que débuts des actions d'actions, qui ne peuvent pas être vendues des fonds contribués reflétant les circonstances de l'achat de cet actif non amortissable. Si cet actif était éliminé à une date future ou si des dividendes étaient établis, ces derniers seraient remis aux propriétaires des actions de Long Lac Mineral détenues au moment de la participation de Long Lac Mineral dans les compagnies qui ont contribué au financement de l'exploitation.

Propriété

Long Lac Mineral a conclu des arrangements pour un emprunt bancaire de \$4 millions au taux d'intérêt en cours pour le financement du projet de Thompson Boussquet. Les actions marques de la Compagnie ont accepté les garanties d'achèvement pour le projet. Le remboursement se fera par douze versements trimestriels à partir de juillet 1979. Cet emprunt est garanti par la compagnie Thompson Boussquet, et les produits nets de la production seront employés pour rembourser la dette.

La propriété d'objets de forages vers le milieu des années 50, et un gisement d'environ 2,5 millions de tonnes de minerai d'une teneur d'une livre par tonne de minéral à la limite. Notez que l'exploitation de ces gisements a commencé en 1956 et qu'ils sont toujours en exploitation. La propriété d'objets de forages vers le milieu des années 50, et un gisement d'environ 2,5 millions de tonnes de minerai d'une teneur d'une livre par tonne de minéral à la limite. Notez que l'exploitation de ces gisements a commencé en 1956 et qu'ils sont toujours en exploitation.

Les forages effectués dans la propriété de Silvermaggue (qui est l'ouest à ball moyenmannant des redévanances brutes de 31%) ont confirmé le potentiel de minéral. D'autres forages seront effectués nécessaires pour établir définitivement la teneur et le tonnage, mais d'après un inventaire dressé à l'aide des résultats de forage, la présence à la mine de 10 millions de livres de U₃O₈ semble probable. Il est important de noter que la récente découverte d'ancienne mine Strelleigh, due est à la proximité Silvermaggue, confirme que le territoire de la mine de Presoton Mines Limited devrait être pris en considération dans la recherche de gisements d'uranium à Elliot Lake connaitra, comme nous l'avons pensé, une

Régin d'Elliott Lake Les résultats des forages exécutés dans la propriété Silvermaudie et les environs du portefeuille du franc sud du synclinal d'Elliott Lake ont conduit à la prise d'une option sur Abeta et à l'acquisition de propriétés d'uranium de North American Nuclear trustees à moins de 6 milles et de $\frac{3}{4}$ de mille respectivement de la propriété de Silvermaudie.

Région d'Elliott Lake

Les travaux d'exploration ont atteint un niveau sans précédent dans cette région. Par suite des succès obtenus à Thompson Bousquet et à Silverstack vers la fin de 1977, notre campagne a accquis quelque 60,000 acres de terrains couverts d'extensions des régions volcaniques favorables à Blake River dans les cantons de Bousquet, Cadillac, Jonannes, Clercyc et La Pausse dans le Nord-Ouest du Québec. Ce projet comportera la recherche de métaux communs et d'or; (d) importants gisements massifs de minéraux sulfure qui ont été découverts le long de la marge ouest de cette région.

par l'entremise de Silverstack Mines (SOGUEM), centreprise d'exploration du gouvernement du Québec y a une participation de 49%. L'entreprise stade d'exploration à la fin de l'exercice, au démerit stade d'exploration no 2 de Silverstack avait avancé suffisamment pour permettre de commencer des études préliminaires. Le forage se continue pour explorer d'autres horizons de minéraux et délimiter l'étendue totale des services de minéral. Un calcul détaillé des services de minéral de cette zone principale devrait être prêt au cours du 2e trimestre de 1978. La propriété est dans la propriété entre les deux gisements est environ 2 milles. SOGUEM a le droit de diriger l'opération pendant trois ans après la date de toute décision de mise en production, sousquement, la administration revient à la Silverstack.

L'opération en association Silverstack, dans laquelle la Compagnie a une participation de 51%

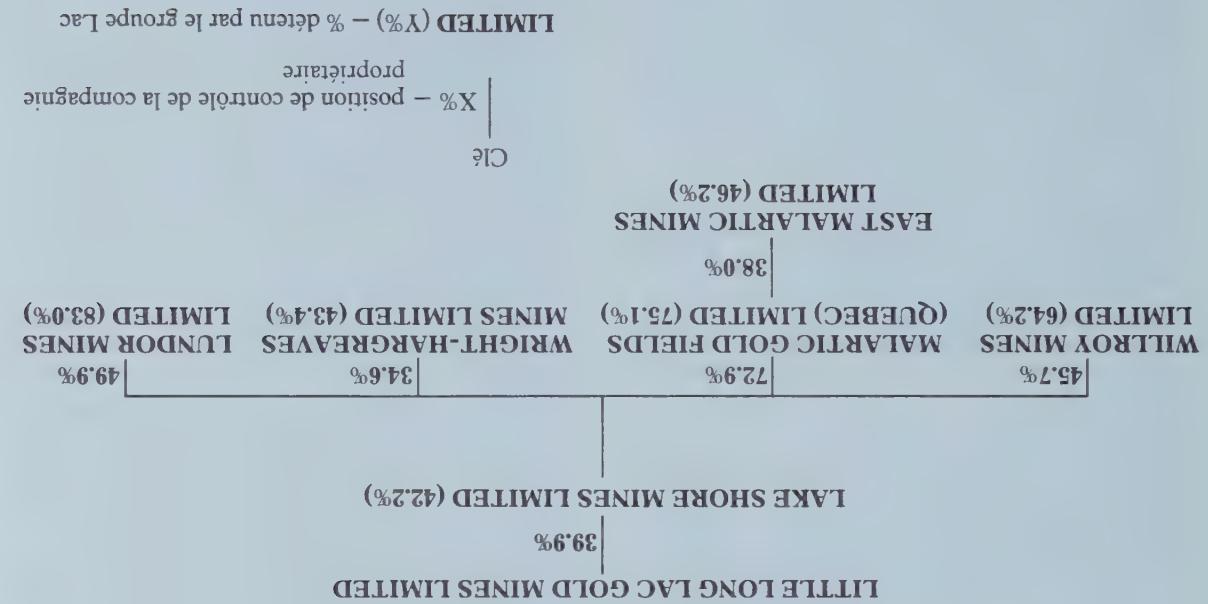
Vers la fin de l'exercice, les installations en surface, soit le chevalement, la cage d'extraition, de batiment de service et l'orifice du puits étaient presque achevées. Selon les plans, le puits à trois compariments sera percé à une profondeur de 1,250 pieds, et ses niveaux seront situés à 565, 770 et 970 pieds, et ses niveaux seront situés à 565, 770 et 970 pieds sous la surface; le début de ces travaux est prévu pour avril 1978. Un prolongement de la galerie inclinée actuelle, commencé l'automne dernière par camion à l'usine d'East Maitlic, a environ 30 milles de là. Les premières expéditions de minerai sortiront pour juillet 1978, et le rythme de production passera à environ 200,000 tonnes par année vers avril 1979. On envisage que le total des frais de premier équipement sera de 4 millions de dollars.

L'exploration sur la propriété de Thompson Bousquet a été achevée en août 1977 et la propriété, à son stade d'aménagement, est maintenant administrée par la nouvelle division

and the other two groups had no significant difference in the proportion of patients who had been previously hospitalized.

Réquisition de Cadillac et de Bousquet
En 1975, Long Lac Mineral et prit sous option une propriété aurifère dans le canton de Bousquet, dans le Nord-Ouest du Québec, appartenant à Thompson Bousquet Gold Mines, appartenant à découvert en 1976 présentait une minéralisation d'or jusqu'à l'exploitation et l'aménagement souterrain. Subséquemment, Long Lac Mineral a acheté une participation déterminante dans Thompson Bousquet Gold Mines, laquelle détenait un intérêt de 40% dans les bénéfices éventuels de la propriété en vertu du contrat.

Région de Cadillac et de Bousquet



	1973	1974	1975	1976	1977
Revenu de production	6,235	7,735	9,291	7,062	8,978
Frais de production	4,609	6,621	7,890	7,683	8,259
Bénéfice d'exploitation	1,626	1,114	1,401	(621)	719
Amortissements et épuisement	105	145	175	202	191
Exploration et mise en valeur	40	96	260	337	616
Avances à Long Lac Minerai	nul	66	67	127	448
Revenu des placements	160	405	297	188	214
Revenu net	1,616	(430)	2,075	(778)	379
Revenu net par action	0,40	(0,10)	0,50	(0,19)	0,09
Dividende	-	-	412	-	-
Dividende par action	-	-	0,10	-	-
Immobobilisations - amortissement	724	1,070	1,200	1,311	1,276
Fonds de roulement	5,596	4,288	5,418	4,331	4,729
Biens non rattachés	6,183	5,753	7,337	6,559	6,939
Revenu	19,73	19,74	19,75	19,76	19,77

RECAPITULATION QUINQUENAINE DES RESULTATS EN MILLIERS DE DOLLARS

L'augmentation de la valeur réelle de l'or depuis le début de 1973 se situe entre 80 et 90 pour cent.

Si le mark allemand est pris pour base et représente un taux d'inflation essentiellement basé sur nul,

Date	Etats-Unis	Canada	Royaume-Uni	France	Allemagne	Suisse	Japan
2 jan. 1973	\$ 65.10	\$ 64.86	£ 27.24	33.5 Fr	M 208.6	F 245.5	¥ 4354
10 mars 1978	\$ 185.90	\$ 208.88	£ 97.36	908.2 Fr	DM 382.1	SF 362.7	¥ 43516
% de variation	185.6%	222.0%	251.0%	172.3%	83.2%	47.7%	121.4%

COURS DE L'OR (FIXE SUR LE M.P. DE LONDRES)

L'impact sur le cours de l'or ressort à sa conversion en diverses devises selon les cours du change ci-dessus.

Dès lors que les devises du Canada et des Etats-Unis ont diminué par rapport à la plupart des autres devises dans le monde.

Depuis 1973, les devises du Canada ont diminué par rapport à la plupart des autres devises dans le monde.

(Source - Banque du Canada)

Date	Etats-Unis	Canada	Royaume-Uni	France	Allemagne	Suisse	Japan
2/1/73 au 10/3/78	-12.8%	+8.2%	-18.3%	-75.8%	-118.0%	-45.5%	
% de variation							
10 mars 1978	1.1236	2.1455	0.2300	0.5466	0.5759	0.0048	
4 jan. 1978	1.0934	2.1189	0.2341	0.5237	0.5551	0.0046	
4 jan. 1977	1.0049	1.7174	0.2038	0.4286	0.4113	0.0034	
2 jan. 1976	1.0164	2.0579	0.2274	0.3882	0.3882	0.0033	
2 jan. 1975	0.9916	2.3139	0.2226	0.4099	0.3883	0.0036	
2 jan. 1974	0.9956	2.2954	0.2083	0.3616	0.2989	0.0033	
2 jan. 1973	0.9963	2.3382	0.1945	0.3109	0.2642	0.0033	

COURS DU CHANGÉ EN DOLLARS CANADIENS

Dès lors que les fluctuations du prix régulier par les producteurs d'or canadiens reflètent la valeur relative chapeautée des principales devises dans le monde. Le tableau suivant illustre les variations de la valeur de diverses devises par rapport au dollar canadien.

Depuis 1973, les fluctuations du prix régulier par les producteurs d'or canadiens reflètent la valeur

Nombre d'actions	Valeur marchande au décembre 31 1977	Nombre d'actions au décembre 31	Nombre d'actionnaires	COURS DE L'OR
88,000	\$638,000	Gibraltar Mines Ltd.	50,000	Kinea Mines Ltd.
50,000	242,500	50,000	95,000	Great Canadian Oil Sands Ltd.
50,000	180,500	18,000	117,000	Vestgron Mines Ltd.
88,000	242,500	88,000	65,000	Westgron Mines Ltd.
799	775	799	6,081	- Total
74.71%	75.03%	74.71%	6,933	6,524
25.16%	24.85%	25.16%	6,081	5,705
.13%	.12%	.13%	6,933	6,524
— d'autres actionnaires	— des Canadiens	— d'autres actionnaires	— Amercians	Autres
— des Canadiens	— des Canadiens	— des Canadiens	— des Canadiens	10,375
4,119,000	1977	4,119,000	4,119,000	

PLACEMENTS DE VALEUR MARCHANDE

Nombre d'actions en circulation	% des actions détenues par	— des Canadiens	— Amercians	— Total	Autres
4,119,000	1977	74.71%	25.16%	6,933	6,524
4,119,000	1976	74.71%	25.16%	6,933	6,524
4,119,000	1977	74.71%	25.16%	6,933	6,524
4,119,000	1977	74.71%	25.16%	6,933	6,524

ACTIONNAIRES

RAPPORT D'EXPLOITATION

Fast Malartic Mines Limited exploite deux mines dor, celle d'East Malartic et celle contigüe de Barnat, près de Malartic dans le nord-ouest du Québec. Environ 15,000 tonnes de minerai par mois sont transportées par camion de Barnat à l'usine d'East Malartic, soit sur une distance de 1,000 verges.

Reserves de minerai probables, en Oz	Tonnes	Oz	Tonnes	Oz	Reserves de minerai probables, en Oz	Tonnes	Oz	Reserves de minerai probables, en	Tonnes	Oz	Reserves de minerai probables, en
1977		1976			0.107	304,010		de Barrat	0.098		des réserves de minerai probables ne doivent pas être additionnées.
					0.097	786,448		de Barat			MARQUE: Les réserves de minerai probables et probables ne doivent pas être additionnées.
					0.090	1,438,140		mine			
					0.097	1,050,000		mine			
					0.100	1,722,910		mine			
					0.107	1,722,910		mine			
					0.095	0.095		mine			

pour compléter les programmes de production de 1978. Avec l'augmentation des prix de l'or, la direction a décidé de procéder à la mise en valeur d'un autre gisement porphyrique à Barat. Cet ajout de \$1,01 million du montant de \$9,88 millions dépendue par Lac Mineral Exploration Lim- itée depuis son incorporation en 1967, East Malartic a le droit de partager les bénéfices de Long Lake Mineral d'après le pourcentage de sa participation au moment où tels bénéfices sont attribués. Un rapport sur les activités de Long Lake détermine que les résultats sont compris dans ce rapport annuel.

En vertu de sa contribution de 10,21 pour cent ou de \$1,01 million du montant de \$9,88 millions dépendue par Lac Mineral Exploration Lim- itée depuis son incorporation en 1967, East Malartic a le droit de partager les bénéfices de Long Lake Mineral d'après le pourcentage de sa participation au moment où tels bénéfices sont attribués. Un rapport sur les activités de Long Lake détermine que les résultats sont compris dans ce rapport annuel.

Malartic pour son enthousiasme et son effort con- tribution à la production d'East Malartic qui ont permis une autre année de réussite.

Au nom des administrateurs, je désire trans- porter mes remerciements au personnel d'East Malartic pour son enthousiasme et son effort con- tribution à la production d'East Malartic qui ont permis une autre année de réussite.

Vers la fin de l'été 1977, l'exploitation minière à East Malarctic fut enterrée à la suite d'un coup de charge au 31^{me} niveau. L'explosion entraîna un effondrement dans une partie de la mine au-dessous du 24^{me} niveau fut fermée pendant que les préparations étaient effectuées. La méthode par foudroyage qui est employée depuis plusieurs années à la mine, utilise la tension électrique pour assurer que l'opération est maintenue aussi prudente que possible.

Environ 15,000 tonnes de minerai par mois sont transportées par camion de la mine Baranat, voisine de East Malarctic. Cet autre minerai est importé à la principale mine d'East Malarctic, à l'issue de l'opération par suite de la faible tenue économique de l'exploitation par rapport à la demande de minerai. Ces deux mines sont toutes deux possibles pour toute la sécurité de ses employés et toutes les mesures possibles sont mises en place pour assurer que l'opération est maintenue aussi prudente que possible.

Baranat, seulement un gisement porphyrique est actuellement miné et des réserves sont suffisantes pour assurer que l'exploitation est maintenue au moins jusqu'à l'ouverture de la nouvelle mine de l'Est Malarctic. Les deux mines sont toutes deux possibles pour toute la sécurité de ses employés et toutes les mesures possibles sont mises en place pour assurer que l'exploitation est maintenue au moins jusqu'à l'ouverture de la nouvelle mine de l'Est Malarctic.

RAPPORT DU PRÉSIDENT

Pour l'année se terminant le 31 Décembre 1977

Rapport annuel

(sans responsabilité individuelle)

MINES LIMITED EAST MALARTIC